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ELBERT H. GARY

PRESIDENT, AMERICAN IRON AND STEEL INSTITUTE

AT SEMI-ANNUAL MEETING

NEW YORK

NOVEMBER 18, 1921

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ELBERT H. GARY

PRESIDENT, AMERICAN IRON AND STEEL INSTITUTE
AT SEMI-ANNUAL MEETING
HOTEL COMMODORE, NEW YORK CITY

NOVEMBER 18, 1921

IT SEEMS to be generally conceded that business conditions throughout the United States for the last six months have been perceptibly and steadily, if slowly, growing better. You have read in the daily press statements by financiers, commercial leaders, industrialists and others to this effect. Besides, the President of the United States and other officials have not infrequently voiced opinions concerning business conditions and prospects that were favorable and hopeful. The newspapers, perhaps without exception, by their editorials and otherwise, have lent encouragement to those who are connected with business enterprises. All this has been very gratifying and helpful, and it has been justified by the facts.

In the steel industry the volume of business has more than doubled during the last ninety days, though the profits, as a rule, have been little or nothing, due to high costs and low prices.

The resources of this country are so enormous and the necessities of the consuming public so extensive that there must be continuously transacted a large business, even though at times it is small when compared with the maximum periods.

But it will be conceded that thrift even in a rich country may be interfered with, if not postponed. The pity is that often this is brought about unnecessarily and sometimes

negligently or viciously. Even though we have now passed the most critical period in our recovery, I still think we would not be warranted in concluding we have arrived at the point where we can with certainty predict the exact time when there will be a return to a normal financial, commercial and industrial basis, for the world's economic structure has been terribly shaken by adverse winds during the last few years. There must be further adjustments.

Every honest, intelligent person will insist that conditions are such at present as to enlist the efforts of all, private individuals as well as officials, to do everything possible towards protecting and promoting the economic welfare of the country and its people.

It would not be useful at present to refer to unavoidable features that retard a complete restoration of prosperity throughout the world, including the United States, to a greater or lesser extent; but it may be deemed proper to refer to some that are avoidable.

It may be that we of the steel industry are measurably blamable for the comparatively slow progress toward economic recovery in this country during the last eighteen months. I believe there are some things which might be justly criticised and others commended, but it is not intended on this occasion to discuss the attitude or action of the steel management. For your edification and comfort I refer you to a letter on the editorial page of the *New York Times* of November 11th instant bearing the signature of Sidney G. Koon. I am not acquainted with Mr. Koon, nor with his source of knowledge, but I believe his statement of facts and figures is accurate. It is certainly up to all of us, day by day, to carefully consider and justly decide what shall be our conduct towards each other, and towards all others, in order to furnish all practicable assistance in restoring the equilibrium of busi-

ness prosperity. This will be to our own interest as well as that of the general public, and I trust it will be our sincere and constant desire.

The delay in complete restoration of a sound and satisfactory economic development and activity in this country is largely due to high costs—high costs of living, high costs of production and transportation, and high costs of owning and earning money or its equivalent.

HIGH COSTS OF LIVING

The war brought enormous inflation in prices, rates and indulgences. There was an orgy of extravagance. The purchase value of money became lower and lower to correspond with the increases in the prices demanded for what it bought. When the armistice was declared the whole range of prices was far above that of ante-war times. Every one realized that there would have to be readjustments to lower levels. Selfishness and cupidity loomed large in the upward trend and these traits have been just as noticeable in the effort to descend from the dizzy heights of apparent prosperity and economic advantage. However, be it said, the large majority of the people of this country have been earnestly active in the endeavor to generally and equitably reduce prices to a reasonable point. Still there are considerable numbers who seem to be possessed with a desire and determination to make the most out of the situation, to maintain high prices and to realize the largest possible gains; and those who are thus disposed are sufficiently numerous and successful to materially affect the cost of living. Here is one of the fundamentals of obstruction to a return to normal conditions. It may properly be claimed that as the advances in prices and values during the war naturally formed a circle, composed of various

items such as labor, transportation, production, living expenses, each affecting the others, so the same unhealthy and unwholesome symptoms may be seen in the endeavor to return to previous levels. The real obstructionists at present may be classified generally, if not distinctly.

It seems to me that many so-called middlemen are more at fault concerning these matters than any others; they do not seem to have kept pace with the majority of business men in reducing prices; many have not lowered their selling prices in proportion to the reductions which have been made to them in their purchases. This is true of food, clothing and shelter, always the first things to be taken into consideration in discussing high costs. Every one is competent by experience to pass upon this question, for it is practical and personal. I would not purposely do an injustice nor indulge in exaggeration, and with the intention of being accurate and within the facts, I will specify a few of the features which tend to prove the assertions made. First, as to food and clothing. You will observe I have taken prices in the ordinary country stores and shops, where they are moderate as compared with many of the city establishments.

	Wholesale Price	Retail Price	Per Cent Spread
Sirloin Steak.....	\$0.23	\$0.42	82.5
Round Steak.....	.20	.40	100.
Rib Roast.....	.23	.40	73.9
Bacon.....	.28	.45	60.
Cream Cheese.....	.217	.35	61.3
Eggs.....	.64	.85	32.8
Beans.....	.05	.10	100.
Lard.....	.115	.19	65.2
Potatoes.....	1.53	2.20	43.7
Rice.....	.085	.12	41.

Also, on wearing apparel as follows:

	Wholesale Price	Retail Price	Per Cent Spread
Men's Shoes.....	\$7.00	\$9.00	28.6
Men's Suits.....	25.00	40.00	60.
Men's Overcoats.....	27.00	50.00	85.
Men's Hats, Derby and Soft.	3.00	4.50	50.

On furniture and bedding the profit made by regular dealers ranges from 40 to 100 per cent, and by installment houses from 100 to 200 per cent.

As to rents and coal, so much has been published that every one is familiar with the facts. Amounts have been demanded and paid which are so much larger than they were before the war that they seem outrageous.

It must be admitted that the large prices already mentioned have been more or less influenced by labor rates, but I cannot too strongly state that labor which has been free to act in accordance with its own sense of propriety and justice has been fair and considerate in view of living expenses. Fortunately, this includes 85 or 90 per cent of the workmen.

Where labor is directly under control of leaders not connected with nor interested in the results of the work in question, the rates in many instances are unreasonable and unjust. This relates particularly to trades which, in a measure, control building operations and affect rentals. I offer some figures of comparison showing wage rates per day in 1913 and 1921, respectively:

	1913	1921
	Rate per day	Rate per day
Bricklayers.....	\$5.60	\$10.00
Carpenters.....	5.00	9.00
Electricians.....	4.50	9.00
Housesmiths (structural).....	5.00	9.00
Marble Cutters, Carvers and Setters	5.50	9.00 & 10.00
Metallic Lathers.....	5.00	9.00
Painters, Decorators and Paper-hangers.....	4.00	9.00
Plasterers.....	5.50	10.00
Plumbers and Gasfitters.....	5.50	9.00
Slate and Tile Roofers.....	5.25	9.00
Steam Fitters.....	5.50	9.00
Stone Cutters.....	5.50	9.00
Stone Setters.....	5.60	10.00
Stone Masons.....	4.80	10.00

But the wages paid are only a part of the story. The failure to render an hour's work for an hour's pay is even worse. The skill or energy or effort to accomplish is not one-half what it was formerly, so that the rates now paid are actually quadrupled instead of being doubled. The rules formulated by unions under which the work is done place limits upon production, as many employers and others know by bitter experience. The wonder is that so large a part of the public, which to a great extent suffers the consequence, apparently fails to appreciate these important facts pertaining to production.

HIGH COSTS OF PRODUCTION AND TRANSPORTATION

The costs of semi-finished production and also transportation are about twice what they were before the war. The facts and figures relating to these have been under ex-

amination by governmental departments and have been published. These high costs result, in part at least, from the prices which are paid for materials purchased from the original producers and also the rates of wages paid. The net profits realized are much smaller than those received before the war and in many, if not most, cases they are *nil*; this is largely because wage rates were increased during the war and still are maintained much higher in proportion than the selling prices or carrying rates now received, and besides production results were likewise decreased as before suggested. I am not now intending to discuss selling prices or transportation rates.

Clearly and emphatically there must be further adjustment and reductions concerning certain prices and rates down to a level which will not only be equitable, but will place every branch of industry on a just and reasonable parity.

Unless there shall be a governmental supervision which is impartial and non-partisan and covers all interests, classes and departments equally and fully, there is no way of promptly returning to and maintaining normal and sound conditions in all respects, except by the natural means provided by the law of supply and demand, which requires time. By this simple route, with the benefit of full and consistent maintenance of law and order, so that it may be pursued without illegal hindrance, there will sooner or later be forced upon every one the necessity of disposing of whatever he has to offer only at fair and reasonable prices. Business of all kinds would succeed better if unhampered by governmental interference, but if it is desired to proceed with the greatest dispatch towards the starting point of the upward march in prices influenced by the war, then every person and every interest, without discrimination, must submit to some kind of governmental supervision and regulation. Class dis-

tion is the worst thing that can happen to any country.

As the Government materially assisted in increasing costs and prices, although on grounds of necessity, it might be proper and expedient to render similar services in the struggle to decrease them.

THE HIGH COST OF HOLDING MONEY AND PROPERTY

Underlying all economic conditions in this country today, and perhaps throughout the world, is the high cost to the holder or earner of money or property. It is so high that the incentive to initiate, extend, develop or operate is not only discouraged, but it is nearly or entirely destroyed in many cases. I refer to the question of taxes. We have heard of being taxed to death. The people have been made to realize what it means. Both industry and individuals have suffered almost to the point of despair. They have staggered under the burdens of taxation. Neither the United States nor any other country can satisfactorily prosper while taxes remain so high as at present.

Any politician or political party standing for present tax rates, or opposing substantial reductions down to the lowest practical level, will not continue in authority, but will go down to defeat at the first election. The people will not long endure the existing situation. In fact, they cannot.

Under the present laws one's income, whether derived from personal effort or invested property or business, is largely taken by the Government in income taxes. Extensions cannot be made nor industry progress while so much of the returns is taken away and diverted from legitimate enterprise.

And the same argument applies to aggregations of capital

held, or business transacted, by corporations. The point applies with equal force whether it refers to business carried on by individuals or by corporations.

The total indebtedness of the world at present is ten times as much as it was before the war. I will not give the figures now; they are too startling and they are growing in amount. During the war stupendous expenditures were necessary, though at the time the amounts seemed extravagant and often wasteful. Perhaps this could not be avoided in view of the circumstances. The people generally overlooked and condoned. Now a stricter accounting and better management will be required; and greater and still greater economy is demanded.

Judging by his utterances and efforts no one more than President Harding fully appreciates the overwhelming insistence for decreases in taxation.

To the fullest extent possible earnings and incomes must be left in the hands of those who first receive them. Money is just as important as it ever was. Without it nothing can be done for any one or for any country. Remarks from the lips of men, especially from those who know nothing concerning their subject, amount to comparatively little. Money talks louder and more effectively than anything else when protection to life and health is concerned. Unless food, shelter and clothing are provided we will not listen to words concerning abstract questions, especially from those who work little and say much. Well, just at present we need more and more production, and money is necessary for this purpose. If we have more in the United States than we actually need let us apply it for the benefit of others who are less fortunate, but we must not waste it. There has been enough of that all over the wide world. I do not believe in a penny-wise policy. A great deal of money is required to pay

interest on the enormous indebtedness of the Government, and for carrying on governmental affairs, but the expenses for this are too large. There are too many clerks, doing too little work in public offices, notwithstanding all that has been done under the able direction of General Dawes and others; there are too many committees making investigations at large cost, sometimes for political purposes, too much unnecessary display, altogether too numerous and great expenditures for useless and profitless things. I may overstate the situation, but not intentionally so. Of one thing we are certain, our Government is called upon as never before to reduce expenses and expenditures, and to modify and clarify taxation. The burdens are greater than we can long endure.

Our governmental administration, not to specify dates or periods, by precept and example, has been largely responsible for the present economic situation. The high prices paid and advocated by Government officials, the rules established for work, the extravagance in many respects, perhaps necessary during the war, in part at least, I have admitted; but it all had a bad effect on private management, and the situation should now be remedied by legislation and otherwise, and I believe it will be. Industry is sadly in need of assistance from the Government; and, I repeat, individuals must reciprocate to the greatest possible extent.

Undoubtedly the fairest way to raise money for the Government is by a sales tax which requires every one to contribute in accordance with pecuniary ability to buy. This is equal treatment of all the people and therefore is just. Moreover, it is easy and cheap in administration, and certain of full exposure and accomplishment.

For the present conditions, so far as they are unsatisfactory and deprecatory, any blame should be placed where it properly belongs, quite likely upon different classes as I have

suggested. A fair-minded public will sooner or later intelligently and surely apportion the blame.

THE WASHINGTON CONFERENCE

Of highest interest, having a direct bearing and immediate influence upon the questions already discussed, is the conference at Washington called to consider the limitation of armament by the different nations. Undoubtedly a very large part of national expenses during the last three years related to military preparation. Even though the object has been only for defensive purposes nevertheless the cost has been as much as it would have been if the motive were less justifiable. If the expenditures in this direction shall be decreased only fifty per cent the saving will be prodigious. But if an agreement to this effect is made it will probably go much further as to amount; and even better than this, it will cover principles which will tend to conserve peace, friendship and good-will, which is of inestimable value to all nations.

Very great progress has already been made in Washington. The addresses of the President and Secretary of State, respectively, were of the highest type of oratory and their proposals were not only startling, but were universally received with joy and satisfaction. Other speeches already delivered show that the speakers were inspired by the same lofty emotions which prompted the utterances of President Harding and Secretary Hughes.

The suggestions by some that there will be less steel manufactured as a result of armament limitation are unworthy of even a passing notice. In the first place, the amount of decreases, if any, which is doubtful, would be small, and even though they might be large, no sane and right spirited person would consider pecuniary interest as of

any importance when discussing national or international welfare.

Besides the benefits which would be derived by reason of all the nations living under peaceful conditions as compared with military conflicts are beyond calculation. If means for the firm establishment and maintenance of peace can be found and generally assented to, it will mark an epoch of the greatest business prosperity, as well as the largest measure of happiness that the world has ever witnessed. We should be thankful that this conference in Washington has been called and that the different countries are represented by delegates of high principle and great intelligence and sincerity. Of course, there must be and will be many matters to be determined bearing upon the question of peace, outside of those suggested by the Secretary of State in his original proposition. There are a good many kinds of armament, some more destructive than others, but all important, and every one heretofore or hereafter discovered must be covered by the international arrangement to be concluded.

But with an agreement for the limitation of capital ships it would not seem to be practical to stop with less than a final treaty which will prevent future wars. In addition to what is contemplated by the limitation of armament there should, with other things, be an understanding that if any international differences arise no resort to military force shall be permitted until after there has been a conference and full discussion by all the nations now participating in the deliberations at Washington.

President Harding and the four selected, able and experienced representatives of this country will energetically and persistently strive for an agreement. They realize their constituents are unconditionally and fervently support-

ing them in their campaign for peace and limitation of armament and all this is true of each of the other nations.

We may anticipate that before adjournment there will be many claims for consideration of national interest and protection by some of the countries represented, some of them selfish and inconsistent, for this would be natural, but there will be friendly and patient conversations or debates, and all with the endeavor to find a basis for maintaining international peace. Every living individual is more or less possessed with the contradictory characteristics of Dr. Jekyll and Mr. Hyde, but the good preponderates over the evil in the large majority of people, and this is particularly true of those who are now especially chosen to minister to the ills of a disorganized, diseased and suffering world.

These delegates will meet as friends and I predict they will part as friends. All the appointees of the convention are gentlemen of the highest character and all favor limitation of armament and perpetual peace. It will be exceedingly strange if they fail of success on any ground that is not fundamental to national integrity, independence and honor, and none such is involved. It is unthinkable that there could be a different result. An adverse outcome would be intolerable and those responsible for it would be repudiated and everlastingly condemned. No claim for personal or individual advantage not based on the principles of right and justice, in the opinion of the majority, would be entertained.

MEXICO

I may be pardoned for referring briefly to the situation in the Republic of Mexico. It is a country of great natural wealth and possible productivity, and it seems to have a

strong, vigorous and respected governmental administration. President Obregon is an intelligent, honest, fair-minded man. He has established order and will maintain it. Evidently he intends to treat every faction and interest with equal justice. He desires the friendship and cooperation of every other country, especially the United States. If harmonious relations could uninterruptedly exist between the two countries, it would be of immense pecuniary benefit to both. One should visit and study Mexico in order to fully appreciate how valuable her friendship to us would be. It is to be hoped a basis mutually satisfactory will soon be reached which will enable recognition of the present Mexican Government by this country, and a renewal of our old-time business intercourse. If we can be of benefit to Mexico we will be serving our own best interests.

I believe we are coming to a correct and satisfactory solution of all the problems referred to. Therefore, I am hopeful. If there is delay longer than we have expected, we must be patient, consistent and courageous. There is no cause for despair. The majority of reasons favor a return to large prosperity in the comparatively near future. Let us keep within the limits of our resources and be trustful. We should not anticipate much, if any, profit in our business during the present quarter. If there are losses it will probably be our own fault. Let us look up and ahead; look at the wealth of the country and not the present poverty of business. Let us bear in mind that in the long past we have, on the average, been well treated and therefore in the future will probably receive still better consideration if we do our utmost to deserve it. We have a good and a great administration. We have a towering, level-headed leader who will guide us out of the paths of uncertainty into the broad highway of stability and progressive prosperity; and we are thankful.

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